

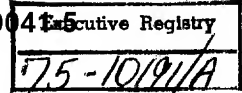


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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

OFFICE OF DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE



19 December 1975

Mr. Bosco Nedelcovic  
President  
Basic Livelihood Corporation  
6001 North 18th Street  
Arlington, Virginia 22205

Dear Mr. Nedelovic:

Thank you very much for your letter of 21 November.  
I am glad that you enjoyed the session at the Inter-American  
Defense College.

The "exploration of alternative socio-political arrange-  
ments" is not within our sphere of responsibility and there  
is really little that we can do to help you. Development of  
policies and programs for civic action are probably best  
discussed with the Department of State or AID.

Faithfully,

Vernon A. Walters  
Lieutenant General, USA  
Deputy Director of Central Intelligence

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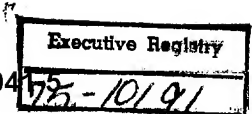
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**BASIC LIVELIHOOD CORPORATION**

BOSCO NEDELCOVIC  
President

6001 North 18th St.  
Arlington, Virginia 22205

21 November 1975

Lt. Gen. Vernon A. Walters  
Deputy Director  
Central Intelligence Agency  
Langley, Virginia

Dear General Walters:

It was a special pleasure and privilege to interpret your recent remarks at the Inter-American Defense College - for the benefit of your "gringo" audience, since you obviously need no interpreter... - and from a personal angle it was a welcome opportunity for me to reexamine some thoughts which I take the liberty to share with you now.

While I fully realize, as you pointed out in your lecture, that the bulk of your agency's efforts is naturally directed toward its primary objective - intelligence - I am also aware of the many fine studies and "minority pursuits" within your organization in the areas of social, economic and political research. And while most of this research, I realize again, is conducted with the primary objective of gathering intelligence, I wonder if in some very limited ways a more active exploration of alternative socio-political arrangements might perhaps be a legitimate and potentially significant spinoff of some of your Agency's activities.

I refer specifically to the increasingly dismal situation of most underdeveloped areas at large in terms of unemployment, fiscal insolvency, economic slowdown dictated by the energy crisis and other international developments, with the attendant potential for fundamental political change of one sort or another. For the past decade or so I have been trying to formulate a "parallel" system of socially-insured elementary sustenance for the marginated and the disenfranchised in a situation of extreme poverty and scarcity, capable of bypassing the all-too-obvious pitfalls and constraints of the market economy, yet without wiping out the market system altogether and whatever prospects of upward mobility it might offer to the citizenry. I have, in other words, been dreaming of the best of two worlds - a basic insurance of survival at the bottom, and a relatively free-wheeling market system above that. Implicit in this dream has been the awareness that, in order to make any such "parallel economy" work, a limited form of social conscription or mobilization of resources or civic action of one sort or another should be institutionalized on a non-monetized basis, since the already overstretched and indeed bankrupt tax base of many of the areas I am referring to would be unable to fund any such ambitious public employment program anyway.

In turn, the elementary conclusion which I have arrived at long ago - and sort of reconciled myself with the idea - is that, in the absence of any dramatic and politically motivated grassroots transformation of society, the only institutional framework within which this kind of "mobilization for survival" might be attempted is the military; and this is, in fact, the pitch I am making in the enclosed sketchy "proposal" which I commend to your attention.

Lt. Gen. Vernon A. Walters

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11/21/75

As you can guess, I have been beating the bush in Washington and elsewhere for the last ten years or so - knocking at the doors of development agencies, foundations, universities, private citizens and all conceivable sources of "assistance" - to no avail. I find that the great majority of decision-makers in the field of development are solidly stuck with a few traditional schemes based on more or less conventional economic thinking; and while they are very good at projecting the indeed hopeless picture of unemployment and starvation which conventional economics leads to, they generally freak out at the sole mention of "mobilization" and "military involvement" attempting to bypass market economics.

Having lived and worked for many years in Latin America I should candidly confess that I realize just how idealistic my proposal sounds in the light of so many political cross-currents at work down there; and I am by no means proposing an ambitious ideological program or theory. But I sincerely and firmly believe that a small experimental demonstration of this kind of "civic action" - specifically geared to mobilize idle manpower in the direct production and distribution of essential foodstuffs to a destitute populace - could be successfully tried somewhere in Latin America or in the Caribbean. I am personally attracted to the idea of testing this approach in a small "island-republic" for obvious reasons of smallness and manageability; but I would be willing and eager to undertake this proposition in just about any kind of setting that could offer a bare minimum of receptivity at the top and some prospect of international funding.

I would be most appreciative for an opportunity to discuss this matter with someone in your agency who is perhaps already wrestling with these latter-day dilemmas - for the privilege of an informal give-and-take if nothing else. Thank you very much in advance for your attention.

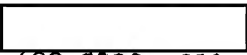
Sincerely yours,



Bosco Nedelcovic  
c/o I.A.D.C.  
Fort McNair  
Washington, D.C. 20319

Encl.

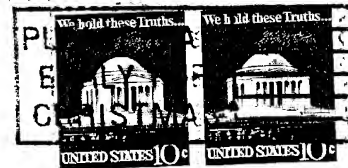
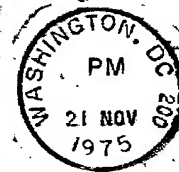
cc. Maj. Gen. William Schoning

  
693-8023 office

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**X-RAYED**

Lt. Gen. Vernon A. Walters  
Deputy Director,  
Central Intelligence Agency  
Langley, Virginia 20505

PROPOSAL FOR THE ESTABLISHMENT OF A

"SOCIAL SUSTENANCE PROGRAM"

IN A SITUATION OF EXTREME POVERTY AND UNDERDEVELOPMENT

Discussion Draft - July 1975

by Bosco Nedelcovic  
6001 North 18th St.  
Arlington, Virginia 22205

Introduction

The scenario I am about to sketch pertains to a small island-state or island-province, somewhere in the Caribbean. It has little usable land and considerable population density. It has few basic industries - probably sugar and rum, some agriculture and dairy production, some construction activity, maybe an oil refinery or some other extractive industry, and of course tourism. But all these combined cannot begin to provide enough employment for the native population. In fact, unemployment is already high and getting worse - if nothing else, due to sheer population growth and an expanding labor force - and emigration to the mainland has virtually come to a halt.

Family planning is getting attention but its results will take years. Meanwhile the situation is becoming increasingly grim for large segments of the population. Pockets of subsistence agriculture are fast disappearing, and caring for unemployed family members or relatives is straining personal ties to the breaking point. Direct government assistance to the poor - other than some housing and health services - is minimal or nonexistent in view of budgetary limitations. Social inequities are becoming more apparent and harder to bear, and growing frustration, social unrest and criminality are understandably on the rise.

On top of that, international developments look ominous. Tourism, which has provided a substantial share of the island's income up to now, may suffer a severe drop as a result of the recession affecting the mainland. At the same time the island is compelled to pay higher prices for everything it imports - particularly oil and food. The local tax base shrinks precisely when the need for government services is greatest. Foreign aid and other forms of international assistance are about to dry up; even private charities and foundations are hard pressed to keep up with needed social programs. And as foreign investments and overseas markets become harder to tap, the island is in a desperate crunch to survive both financially and socially.

The foregoing is of course a composite and deliberately exaggerated picture; but its major elements are all too real and familiar to anyone dealing with the problems of underdevelopment. It conveys the urgency of the situation and the critical need to (1) recognize the limitations, if not a wholesale breakdown, of the market economy in a situation as described above, and (2) explore an alternative social mechanism of direct sustenance to an increasing percentage of the native population, already margined and on the verge of starvation. We are going to attempt here a brief theoretical formulation of one such "alternative social mechanism".

(1) Recognition of the Problem

I suspect that not too many people are fully prepared to concede the failure of the market system to deal with a situation of massive poverty and unemployment such as the one hinted in the above scenario. Most conventional economic and political strategies are still desperately trying to promote a market-oriented agriculture and industry, emphasizing a more equitable income distribution, urging more labor-intensive than capital-intensive technology, begging for massive transfers of international aid, and hoping that somehow the margined masses will be brought into the market economy. But the truth is that these orthodox strategies are failing pathetically to achieve their goal and may soon become completely "inoperative".

Our imaginary island is of course not immune to a variety of revolutionary appeals from within and from abroad, clamoring for a complete socialization of the economy, the nationalization of natural resources and their cartelization to jack up international prices, and similar more or less radical proposals. Yet even the most extreme nationalistic/socialistic blueprints are still quite conventional and vulnerable in their underlying assumptions. They all hinge on the belief that there will continue to exist prosperous international markets for the island's few basic products, and that the simple objective of a strong native movement is to somehow capture the bonanza that has been eluding it over the years in the form of foreign profits and hopefully spread its benefits to the local population.

But the current international outlook is far from reassuring, and the sobering fact is that a "socialist" administration is just as subject to erratic world markets and world-wide economic setbacks as a "capitalist" one. We have just intimated that the market system in toto is a highly unreliable lever for development, if not a terminally ill patient at this stage of history. And the hopes of any international agreement on allocation of resources, regulation of prices and other measures of stabilization and assistance are far from promising.

The situation is bound to get a lot worse before it gets any better; and the question therefore is not how to pull through a temporary recession or depression, but how to face a permanent and increasing dislocation of the market economy and its growing inability to provide employment and income to a substantial portion of the island's population.

(2) An Alternative Mechanism of Social Sustenance

The simple and blunt response to the above dilemma is to bypass the market economy in attempting to provide for the basic necessities of the populace. This by no means implies a complete wipe-out of all market enterprise, but rather the building up of a parallel system of production and distribution of the essentials of life, independent from and unaffected by the workings of the marketplace. Such a system would not require the nationalization or socialization of the whole economy, but would concern itself solely with supplying a few basic commodities to individuals already on the fringes of the cash economy, as well as those who may be conceivably swelling their ranks in the future as a result of further world-wide problems and dislocations.

A system of "social sustenance" would consist of a network of large-scale government-operated farms, storage and processing facilities, and food distribution outlets. It would resemble a large, integrated agribusiness operated for social benefit and not for money. Its objective would be, quite simply, to improve the nutrition of the needy, to whatever extent it may become feasible, by making available to them a limited variety of basic foodstuffs free of charge. This may not be a completely satisfactory proposition, of course, and it would certainly not prevent the individual citizens from "eating better", if they can afford it, by purchasing additional food from the private market. But it would be a whole lot better than going without food altogether: it would simply aim to put a minimum adequate nutritional "floor" below which no one would be allowed to starve.

Since a program of this nature reflects an overriding concern for the very survival of the whole community, it should be treated as a social and political commitment of the highest level and priority, akin to the preservation of law and order and national defense. Consequently, it stands to logic that the administration of such a program should be entrusted to an existing military, para-military or constabulary force, which might be the most expedient way to set up on short notice the necessary institutional framework for this type of "civic action".

A New Concept of Social Service

The reasons for having a social sustenance program entrusted to a military or para-military organization are several and quite elementary. The problem of feeding the destitute, as viewed in the light of the preceding scenario, is a matter of "logistics" and not "economics": we have just concluded that the classic notions of a market economy are ineffective in dealing with mass poverty, and we must therefore look at the situation in terms of sheer physical resources that must be controlled and marshalled in order to produce as much food as possible for all, regardless of their purchasing power or lack of it. A disciplined approach to the logistics of collective survival - in lieu of market incentives - more likely befits the "military" than the "economic" way of thinking.

A second fundamental reason for looking at this kind of program as a para-military "civic action" is that there is simply no other way to mobilize the necessary manpower to do the job. The government's budget is already strained to the hilt and there is no money left to undertake anything resembling an ambitious public employment program, which this would amount to. So the reasoning is quite obvious. The poorest inhabitants of the island need food but they have no jobs and hence no way to buy it, even if it were cheap and plentiful on the marketplace; they can only contribute their labor; and only a responsible, respected social institution - such as the military - might be able to organize this labor in a reasonably productive and effective manner so as to produce food without market inducements.

#### A "Juxtaposed" Economy

Unlike the regular military service, the proposed "national sustenance program" would not require those participating in it to spend a whole year or two working full time away from home. The new "draftees" would presumably be called in small groups on a revolving basis and sent to work under the supervision of suitably trained military or para-military "management personnel", as needed, in the various phases of farming, harvesting, storing, processing, transportation and distribution of a few basic food commodities. They might put in short stints of "social labor", ranging from one week to one month at a time, three or four times a year, depending on the workload required for a particular crop or season. In exchange for their labor, the "draftees" would receive free food the year 'round - and they would also be free to use their spare time as they saw fit, presumably seeking additional gainful employment in the private economy, if and when available.

We are talking, therefore, of a "juxtaposed" economy consisting of a non-monetized "social sector" and a substantially free-wheeling "market sector" operating side by side, with people being allowed to float freely between the two in an attempt to insure their basic needs in the first place and then fulfill some higher expectations, as the overall conditions permit. The social sector relies mostly on conscripted labor, and requires only minimal government funding to procure those "inputs" that are essential for a large-scale efficient operation but cannot be generated by the system itself (such as machinery, equipment, fuels, chemicals, technical expertise and some salaries for management and supervisory personnel that cannot be obtained through conscription). The market sector continues to operate largely as before, perhaps even more freely than before since it no longer bears the blame for existing unemployment, providing whatever jobs and incentives it can for those able to enter the cash economy, and paying taxes to sustain government activities in all other areas (including subsidies to the social sector).

Ideally, the economy as a whole is able to function with less government regulation and interference because the people have their "basic livelihood" guaranteed through the social sector. Hence the fluctuations of the market economy are easier to live with: an intermittent or cyclical pattern



of employment becomes a desirable goal rather than a fearful consequence of economic crisis. After fulfilling their quota of "social labor", people can work as much or as little as they wish - or as there are jobs in the market economy - to earn their "frills". They might even choose to share each available job among two or more individuals, thus further spreading a limited volume of purchasing power across the community. The market economy, in other words, continues to serve as a valid and valuable outlet for human ambition, competition, emulation, desire for comfort and luxury and what have you; but it no longer determines the basic survival of the whole community, which is insured by direct production and distribution of the essentials of livelihood.

#### A Difficult "Mix"

The preceding is of course only a sketchy, speculative outline of a major social transformation, the full implications of which cannot be grasped except through actual experiment. While the institutionalization of a "social sector" as envisioned above surely does not require a violent change of government or a wholesale expropriation of land and productive facilities, it is obvious that it may result in considerable dislocations in certain segments of the existing economy directly affecting collective sustenance. A careful evaluation of these possible disruptions must be made before embarking into any large-scale program.

Good agricultural land is obviously the first ingredient of any such effort. According to our scenario, however, we are talking of a small, heavily populated island with precious little cropland to begin with. What land there is to be found is probably already under some kind of export crop such as sugar cane or tropical fruit or some other produce for the local market. No sensible government would want to expropriate small farms already yielding what they can for local consumption. And if we are to look at the larger holdings and plantations with an eye to diverting their acreage to the "social sector", we would have to contemplate some agonizing trade-offs between the loss of export revenues or taxes levied on these traditional operations versus the hypothetical benefits of increased self-sufficiency and an improved food supply to the poorest segments of the population.

The magnitude of the payments that may have to be considered for any land expropriated for the social sector, plus all the other capital investments required to set in motion such a program, may very well be staggering for the local economy. The sacrifice of traditional areas of production (such as sugar and pineapple), and the consequent dislocations of currently employed manpower and other aspects of the economy, may create some fierce and politically unacceptable opposition. And the implementation of the "social sector" itself is fraught with uncertainties, both from the standpoint of agricultural expertise needed to successfully select and cultivate new crops for local consumption instead of exports, as well as from the standpoint of sheer organization and management of an entirely new social program.

We must therefore be prepared to test the concept on a very small scale at first - perhaps among some carefully selected and obviously destitute pockets of population, using marginal lands and heavy inputs of manpower, capitalizing on whatever meager results could be achieved to demonstrate the need and the feasibility of feeding the poor outside the cash economy. Eventually, it is hoped, the concept of "social sustenance" will have a chance to assert itself and enlist the necessary public support to expand.

### A Challenge to Leadership

We began this little theoretical exercise with some pretty grim observations about the shortcomings of the market economy in a situation of mass poverty and unemployment; we are invoking a gradual, orderly and peaceful transition to a new system of "direct sustenance", circumscribed to a few basic necessities and made operational by a new kind of "civic conscription" of sorts; but we clearly have only uncharted seas before us.

It will take an enormous amount of political courage by the native leadership to even seriously entertain such a proposal. It will require uncommon dedication by a special "task force" in charge of laying the groundwork for this kind of program, gathering the skills needed to operate it, negotiating the fiscal and legislative arrangements that will be required to implement it, and finally bringing its benefits to the people who need it the most: the deprived, the unemployed, the malnourished, for whom there is so little hope at present.

A staggering task indeed: but one that must be tackled if a disastrous breakdown of the social order is to be averted. As the Biblical saying goes, "where there is no vision, the people shall perish"; and when confronted with the clear and present possibility of social disaster under our current tenets and policies, there is at least an outside chance that a vigorous, imaginative leadership will be prepared to test a new vision of the "social contract", however outlandish or unrealistic it may appear at present.

\* \* \*

(Discussion draft - July 1975)



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